KOSÉ

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KOSÉ Corporation
President & CEO: Kazutoshi Kobayashi
Stock exchange listing: Tokyo Stock Exchange, Prime Market; Stock code: 4922
Contact: Hiroko Hanakura, General Manager of IR Department
Tel: +81-(0) 3-3273-1511

Notice of Disposal of Treasury Shares for Restricted Stock Compensation

The Board of Directors of KOSÉ Corporation approved a resolution today to dispose of treasury shares for use as restricted stock compensation for Directors.

1. Summary of disposal of treasury shares

(1)	Deadline	May 17, 2024
(2)	Type and number of shares	KOSÉ common stock: 7,556 shares
(3)	Price	7,611 yen per share
(4)	Total proceeds	57,508,716 yen
(5)	Planned purchasers of treasury shares	Seven Directors of KOSÉ: 7,556 shares Note: Excluding External Directors

2. Purpose and reasons for the disposal of treasury shares

At the 78th Annual General Meeting of Shareholders on June 26, 2020, shareholders approved a resolution to establish a restricted stock compensation plan (the "Compensation Plan") for Directors (excluding External Directors). The objectives of the Compensation Plan are to further align the interests of Directors with those of shareholders and to give Directors an added incentive to contribute to the sustainable growth of corporate value. The Compensation Plan was approved by shareholders based on a number of conditions, including the following three. First, the aggregate amount of monetary compensation claims concerning restricted stock as compensation for Directors (excluding External Directors) does not exceed 1.8 billion yen per year for the aggregate compensation of Directors (excluding External Directors) that was approved at the 65th Annual General Meeting of Shareholders on June 28, 2007. This limit does not include employee salaries and bonuses paid to Directors who serve concurrently as employees. Second, Directors (excluding External Directors) can receive no more than 100,000 shares of KOSÉ common stock in a single fiscal year. Third, transfer restriction begins on day the shares are received and end on the day the Director leaves the KOSÉ Board of Directors.

Today, the KOSÉ Board of Directors approved a resolution regarding the distribution of restricted stock as compensation during the period between the 82nd Annual General Meeting of Shareholders and the 83rd Annual General Meeting of Shareholders to be held in March 2025. The Directors approved an aggregate payment of 57,508,716 yen of monetary compensation claims to the seven Directors (excluding External Directors, the "Eligible Directors") who are to receive the restricted stock and approved a payment in kind for all of these claims. As a result, a total of 7,556 shares of KOSÉ common stock with a transfer restriction will be allotted to the Eligible Directors. The amount of monetary compensation claims received by each Eligible Director will be determined by using all applicable factors concerning the contribution of these individuals to performance of KOSÉ. All Eligible Directors are required to sign a restricted stock allotment contract with KOSÉ that includes the terms listed below.

The mandatory holding period of the restricted stock held by an Eligible Director ends when that Director leaves the KOSÉ Board of Directors. The reason is to achieve for as many years as possible the objectives of the Compensation Plan, which are to align the interests of Directors with those of shareholders and give Directors an added incentive to contribute to the sustained growth of corporate value.

3. Summary of the restricted stock allotment contract

(1) Mandatory holding period

The period starting on the date of allotment of restricted stock and ending on the date of leaving the Board of Directors (or, if the date of such leaving is on or before March 31, 2025, the period will end on April 1, 2025) (the “Transfer Restriction Period”)

During the Transfer Restriction Period, Directors who have received an allotment of restricted stock are not allowed to transfer the allotted stock (the “Allotted Stock”) to a third party, establish a pledge on it, create a transferable security interest on it, gift it inter vivos, bequest it, or otherwise dispose of this stock in any way.

(2) Acquisition of restricted stock without consideration

In the event that an Eligible Director leaves the KOSÉ Board of Directors during the period between the first day of the Transfer Restriction Period and the day prior to the date of the first subsequent Annual General Meeting of Shareholders, KOSÉ will, as a matter of course, acquire the Allotted Stock without consideration, excluding cases when the reason for leaving is recognized as legitimate by the KOSÉ Board of Directors.

In addition, if there are shares among the Allotted Stock for which the transfer restrictions have not been canceled in accordance with terms for the removal of transfer restrictions in the following item (3) as of the time the Transfer Restriction Period in the above item (1) ends, then KOSÉ will, as a matter of course, acquire these shares without consideration.

(3) Removal of transfer restrictions

KOSÉ will remove the transfer restrictions on all of the Allotted Stock when the Transfer Restriction Period ends, subject to the Eligible Director continuously holding the position of Director from the first day of the Transfer Restriction Period until the day of the first subsequent Annual General Meeting of Shareholders. However, if an Eligible Director leaves the KOSÉ Board of Directors for a legitimate reason between the first day of the Transfer Restriction Period and the day before the first subsequent Annual General Meeting of Shareholders, the transfer restriction will be removed immediately after leaving the Board of Directors. The number of shares of Allotted Stock is determined by multiplying the number of shares of Allotted Stock held at that time by the number obtained by dividing by 12 the number of months beginning in April 2024 that the Eligible Director was a Director, including the month when the Eligible Director left the Board of Directors, and discarding any fraction of one share.

(4) Custody of restricted stock

Eligible Directors are required to establish an account at SMBC Nikko Securities Inc., using a method designated by KOSÉ, for holding all Allotted Stock and to keep this stock in the account until the transfer restriction ends.

(5) Treatment of organizational restructuring, etc.

If a merger agreement where KOSÉ is to be dissolved, a share exchange agreement or share transfer plan where KOSÉ becomes a wholly owned subsidiary, or any other proposal relating to an organizational restructuring, etc. is approved at an Annual General Meeting of Shareholders during the Transfer Restriction Period (however, this is instead the KOSÉ Board of Directors meeting in cases that do not require approval at the Annual General Meeting of Shareholders in relation to the organizational restructuring, etc.), by resolution of the Board of Directors, the transfer restriction will be removed immediately before the start of the business day before the date of effectiveness of the organizational restructuring, etc. for the number of shares of Allotted Stock determined by multiplying the number of shares of Allotted Stock held by each Eligible Director on the date of the approval of the organizational restructuring, etc. by the number obtained by dividing by 12 the number of months beginning in April 2024 and ending with the month of the approval of the organizational restructuring, etc., however, the number of shares is multiplied by one if this division results in a number larger than one and discarding any fraction of one share.

In this case, on the business day before the date of effectiveness of the organizational restructuring, etc., based on the above stipulations, KOSÉ will acquire without consideration all Allotted Stock for which the transfer restrictions have not been removed as of that business day.

4. Basis of calculation and information about the price per share

To eliminate any ambiguity about the purchase price of these treasury shares, the price of 7,611 yen is the closing price of KOSÉ common stock on the Tokyo Stock Exchange on April 18, 2024, which is the business day before the Board of Directors resolution concerning the sale of treasury shares. KOSÉ believes this is a reasonable price that is not significantly advantageous because the purchase price is the market price immediately before the Board of Directors resolution.